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INFO ALL OECD CAPITALS PRIORITY
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY DJAKARTA
AMEMBASSY ISLAMABAD
AMEMBASSY JIDDA
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OIL SITUATION REPORT NO. 27 FROM STATE DEPT OPERATIONS CENTER.

US DEPARTMENT OF STATE OPERATIONS CENTER

OIL TASK FORCE

SITUATION REPORT NO. 27 AS OF 1500 HOURS EST, FEBRUARY 11, 1971

1. TEHRAN NEGOTIATIONS

COMPANY SOURCES BOTH IN THE US AND IN LONDON CLAIM TO BE SUBSTANTIALLY ENCOURAGED BY THE RESULTS OF STRATHALMOND'S TALKS WITH AMUZEGAR IN PARIS ON FEBRUARY 9. THE COMPANIES HAVE AMENDED THEIR LATEST OFFER TO TAKE AMUZEGAR'S VIEWS INTO ACCOUNT. BOTH THEY AND AMUZEGAR NOW REPORTEDLY BELIEVE THAT AGREEMENT WILL BE REACHED, AND AMUZEGAR IS SAID TO BE PREPARING A PUBLIC INITIALING CEREMONY IN TEHRAN FOR MONDAY THE 15TH. DESPITE THIS CURRENT OPTIMISM, LAST-MINUTE HITCHES COULD ARISE, ESPECIALLY SINCE IRAQ AND SAUDI ARABIA MUST ALSO APPROVE ANY PERSIAN GULF AGREEMENT.

THE INDEPENDENT COMPANIES HAVE ASKED FOR AND RECEIVED ASSURANCES FROM THE OTHER COMPANIES THAT THE SHARING OR "POOLING" AGREEMENT FOR LIBYA WILL REMAIN IN EFFECT AFTER AGREEMENT IS REACHED IN THE GULF. THE COMPANIES EXPECT NO ACTION IN LIBYA BEFORE THE 15TH AND PROBABLY NOT BEFORE THE 22ND. THEY ARE REASONABLY OPTIMISTIC THAT THEY CAN REACH A SATISFACTORY AGREEMENT IN LIBYA; ALSO, HOWEVER, SERIOUS PROBLEMS REMAIN TO BE IRONED OUT IN LIBYA, PARTICULARLY LIBYA'S DEMANDS FOR AN INCREASED TAX RATE AND MANDATORY REINVESTMENT.

2. POSSIBLE LIBYAN-ALGERIAN UNILATERAL ACTION

A SEMI-OFFICAL LIBYAN NEWSPAPER HAS REPORTED "SPECULATION THAT THE CURRENT VISIT TO LIBYA OF ALGERIA'S MINISTER OF ENERGY AND INDUSTRY (ABDESSELAM) MIGHT BE THE OCCASION FOR THE ANNOUNCEMENT OF NEW POSTED PRICES FOR LIBYAN AND ALGERIAN OIL. LOCAL SOURCES CONSIDERED RELIABLE HAVE TOLD [redacted] THE PRIMARY PURPOSE OF ABDESSELAM'S VISIT IS TO URGE LIBYA TO TAKE UNILATERAL ACTION.

LIBYAN PETROLEUM UNDERSECRETARY QIBLAWI HAS CONFIRMED TO OUR

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EMBASSY THAT LIBYA HAS NO PLANS TO RESUME DISCUSSIONS WITH OIL COMPANIES UNTIL THE RESULTS OF THE PERSIAN GULF NEGOTIATIONS ARE KNOWN, WHICH IMPLIES THAT IT ALSO HAS NO PLANS TO TAKE ANY OTHER ACTION UNTIL THAT TIME. EMBASSY BELIEVES THAT IF JOINT UNILATERAL ACTION IS THE OBJECTIVE OF ABDESSELAM'S VISIT, HE IS LIKELY TO BE DISAPPOINTED. THERE WOULD SEEM TO BE NO POINT IN SUCH ACTION BY LIBYA AT THIS TIME. SETTING PRICES LOWER THAN GULF PRICES PLUS A "REASONABLE" FREIGHT DIFFERENTIAL WOULD BE FUTILE, AND SETTING THEM HIGHER THAN THAT MIGHT COST LIBYA THE SUPPORT OF THE GULF OPEC MEMBERS. IN ANY EVENT, ABDESSELAM HAS NOW DEPARTED FROM LIBYA WITH NO FIREWORKS.

TAPLINE AGREEMENT RATIFIED

TAPLINE'S PRESIDENT CHANDLER REPORTS THAT SYRIA HAS SIGNED, RATIFIED, AND PUBLISHED IN ITS OFFICIAL GAZETTE THE FORMAL AGREEMENT BETWEEN TAPLINE AND SYRIA, THUS ELIMINATING THE POSSIBILITY OF A LAST-MINUTE HITCH [redacted] IRWIN

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DEPARTMENT OF STATE
Washington, D.C. 20520

Attn: Mrs. Mullin
Keep this study together

EXCISE

7102575

February 23, 1971

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MEMORANDUM FOR MR. HENRY A. KISSINGER
THE WHITE HOUSE

COPIES TO:
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Subject: Libya: Forthcoming Negotiations on Oil

The settlement of the posted price and other oil problems in the Gulf will soon shift the focus of the oil company negotiations to Libya. A meeting of the petroleum affairs ministers of the Mediterranean oil exporting companies (Algeria, Iraq, Libya and Saudi Arabia) was scheduled for February 22. In the meantime, the companies were preparing their opening offers in London so that they would be ready whenever the LARG summoned them for the talks.

[redacted]

There will probably be some flexibility by both sides in the Libyan talks on marginal matters, but we see little likelihood that Libya, secure in its financial resources and in the knowledge of the importance of its oil to Western Europe, will be more

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moderate than the moderates.

In these circumstances, we believe our posture should be the same as it was toward the talks in the Gulf. We should encourage the companies and the Libyans to the extent we can to keep talking to each other. We should avoid identification with any specific set of company offers [redacted] we should make it clear through consultations with our Western European allies that we share their interest in [redacted] the flow of Libyan oil to Western Europe [redacted] Finally, it is clearly not in our interest to politicize the issues between the companies and Libya. We avoided doing so in the Gulf, and we believe our attitude helped to defuse what was already a difficult enough negotiating environment for the companies.

Theodore L. Eliot, Jr.
Executive Secretary

Clearance:
E/FSE - Mr. Akins
AF - Mr. Newsom

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